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RUEHMN/AMEMBASSY MONTEVIDEO 7275
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RUEHRG/AMCONSUL RECIFE 7840
RUEHRI/AMCONSUL RIO DE JANEIRO 5950
RUEHSO/AMCONSUL SAO PAULO 1799
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C O N F I D E N T I A L SECTION 01 OF 02 BRASILIA 000420

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DEPARTMENT FOR WHA AND WHA/BSC

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TAGS: PREL IR BR

SUBJECT: BRAZIL: IRANIAN DIPLOMACY MOVES INTO HIGH GEAR

REF: A. RIO DE JANEIRO 000044

1B. BRASILIA 00304

Classified By: Ambassador Clifford M. Sobel. Reasons: 1.4 (B) & (D)

11. (C) Summary: An Iranian delegation headed by Vice-Foreign Minister Alireza Sheikh Attar held a series of high-level meetings with Brazilian officials from the Ministries of External Relations (MRE, aka Itamaraty), Mines and Energy, and Development, Industry and Commerce at the same time Secretary Rice was visiting Brazil the second week of March.

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The talks represent another in a series of Iranian moves that have the ostensible purpose of drumming up increased Brazilian investment in Iran, developing closer bilateral ties, and securing a long-delayed meeting between Iranian President Ahmadinejad and President Lula. From their perspective, Brazil pursues what Itamaraty contacts call a "correct" relationship with Iran, one cognizant of Iran's troubled status within the international community, but one that does not repudiate or create any problems for Tehran either. End Summary.

Meetings Part of Brazil-Iran Bilateral Mechanism

12. (U) The meetings were the sixth to take place under the aegis of the bilateral political consultation mechanism established between the two countries in 1999. The Brazilian delegation was headed by Ministry of External Relations Under Secretary for Political Affairs II Roberto Jaguaribe, who

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covers Africa, Asia, the Middle East, and Central Asia, and also included a meeting with Foreign Minister Celso Amorim. News reports indicated that Sheikh Atar also met with Minister of Mines and Energy Edson Lobao and Development, Industry, and Commerce Minister Miguel Jorge.

13. (C) Secretario Carlos Goncalves de Oliveira, from Itamaraty's Middle East Division II, which handles the Persian Gulf states, told poloff the meetings focused primarily on expanding the bilateral relationship, strengthening diplomatic ties between the two countries, and

spurring Brazilian investment in Iran, particularly by Petrobras. Goncalves indicated that news reports were correct in noting that Iran was mounting an outreach effort in Brazil in order to defend its "peaceful" nuclear energy program, particularly to lobby for Brazilian support in international fora by drawing parallels between Iran and Brazil's nuclear program.

¶ 14. (C) Asked whether other issues outside the bilateral relationship were brought up, Goncalves indicated that the Brazilian delegation asked their Iranian counterparts about reports that Tehran was supplying lethal support against coalition operations in Iraq and to Hizballah in Lebanon. The Iranians vehemently refuted the allegations, calling them lies advanced by "foreign powers."

Miffed with Petrobras

¶ 15. (U) Trade made up an important component of the visit. Iran is looking for increased opportunities to balance its trade, which currently overwhelmingly favors Brazil. Exports to Iran account for about 30% of total Brazilian exports to the Middle East, or about US\$1.8 billion, which accounts for about 99% of trade volume between the two countries. In particular, Iran was fishing for increased Petrobras investment, although the Iranians seem to be growing impatient with Petrobras' unresponsiveness.

¶ 16. (C) In an interview in the daily newspaper Folha de Sao Paulo, Sheikh Atar discussed how Iran could facilitate entry of Petrobras into the Iraq market. According to Sheikh Atar, Iran has supplied a US\$1 billion line of credit to be used by the Iraqi government under the condition that it be used with Iranian companies. Sheikh Atar hoped that this would entice Petrobras to consider joint ventures with Iranian companies

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in Iraq. Asked by poloff about Sheikh Atar's comments that Iran would not wait forever for Petrobras to decide, Secretario Leopoldo Goncalves de Oliveira told poloff that

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they have repeatedly stressed to Iranian officials that Petrobras makes its own decisions. According to Goncalves, despite Iranian pressure to increase investment in Iran, it was his belief that Petrobras would not increase its stake in Iran in the near to mid-term. A canceled meeting with the President of Petrobras during this visit, he stated, is an indication of Petrobras' disinterest. (Comment: Per Ref A, Petrobras will wind down its operations in Iran as soon as its current contracts expire later this year. End comment.)

Brazil, Lula in Ahmadinejad's Sights

¶ 17. (C) In public interviews, Atar made no secret of Ahmadinejad's personal interest in strengthening bilateral ties to Brazil. Underscoring this interest, Sheikh Atar reached out to Members of the Brazilian Congress, meeting Senate Foreign Affairs and National Defense Committee head Heraclito Fortes (septel). Asked about these meetings, Goncalves stated that Brazil was aware that Tehran was taking a growing interest in Latin America, and Ahmadinejad was concentrating his efforts on Brazil. Still, he added, Iran's interest in Brazil does not begin to approach the level of Iranian links with Venezuela. Asked what would follow the bilateral talks, Goncalves replied that nothing specific was agreed to during the talks but an understanding was reached that a presidential-level visit would be preceded by one at the ministerial level, which could take place in the second half of the year. (Comment: Per Ref B, President Lula has expressed an interest in visiting Iran. End comment.)

Comment:

18. (C) Iran seems to be placing a significant number of eggs in the Brazil basket as part of its strategy for enhancing relations with Latin America, as indicated by the bilateral meetings, the outreach to congress, and the push for a presidential meeting. Brazil, as usual, is playing it both ways. Indications that Petrobras is winding down its operations in Iran is a positive sign. On the other hand, Brazil makes only the mildest of statements calling on Iran to comply with the IAEA and UNSC resolutions, lapsing into occasional defenses of Iran's right to nuclear energy for peaceful purposes, declaring that Iran should have a role in Middle East peace talks, and refusing to vote for issuance of Interpol capture notices against Iranians suspected of involvement in the 1994 AMIA bombing in Argentina. And while up to now there seems to have been some resistance within the GOB to arranging a presidential-level meeting, Itamaraty contacts candidly admit that a meeting is inevitable. As is often the case with its Mideast diplomacy, Brazil's pursuit of a "correct" relationship likely will continue to produce decidedly mixed results which at times will not conform to US policy objectives. End Comment.

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